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Faith LaSalle, Esq.

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY

BOARD OF DIRECTORS' MEETING

September 28, 2012

The 316th meeting of the Rhode Island Higher Education Assistance

Authority was held Friday, September 28, 2012 in the McKenna Conference Room, 560 Jefferson Blvd., Warwick, RI. Chairman Santoro called the meeting to order at 8:30 a.m.

Board Members in Attendance:

Dr. Anthony J. Santoro, Chairman

Dr. William Croasdale, Vice Chairman

Mr. John Howell, Secretary

Ms. Faith LaSalle, Esq.

Mr. Solomon A. Solomon

Mr. Christopher Feisthamel, designee for General Treasurer Gina Raimondo

Board Members absent:

Ms. Patricia Doyle

Also Attending:

Mr. Charles P. Kelley, Interim Coordinating Officer

Ms. Gail Mance-Rios, Deputy Director

Mr. Marc Lacroix, Chief Financial Officer

Ms. Dana Peterson-Fatuda, Assistant Administrative Officer

Mr. Charles Miller, Chief Information Officer

Mr. Michael Joyce, RIHEAA

Ms. Clordine Cox, RIHEAA

Ms. Kathy Sisson, RIHEAA

Ms. Laurie Brayton, Fiscal Analyst

Ms. Jennifer Jordan, The Providence Journal

Guest:

Mr. James Prescott, Braver Group

Ms. Erica Olobri, Braver Group

1. Minutes of the Board of Directors' meeting on June 19, 2012 and July 20, 2012 were unanimously approved.

2. Chairman's Report: Dr. Santoro stated that his meeting with the Treasurer's Office (Joe Pratt) went well. Legislation is needed to change what they are seeking. The meetings with the Rhode Island Department of Education are on-going due to illness of the Commissioner.

Dr. Santoro stated he believes the merger with OHE is not going to happen. They still need legislation and a new board.

3. Interim Coordinator's Report: Mr. Kelley stated the federal government default rates that were published; it has come to his attention that there are some data problems. Ms. Mance-Rios and Ms. Cox are working to get this resolved. Mr. Kelley has asked Senator Reed's office to hold off on publishing the data until the problem has been resolved.

Mr. Kelley stated he and the Treasurer's Office had a great conversation with Morningstar. Alliance Bernstein has been flexible about changing their products for Rhode Islander's.

4. Future of RIHEAA: Dr. Croasdale stated we would like to reiterate his position with the reserve fund split: \$17 mil for the Scholarship & Grant endowment fund, \$ 2 mil for labor and training, \$1 mil for returning veteran's tuition.

Dr. Santoro asked if this could be done without legislation, and if we were going to endow this, it would be better to have the Treasurer's Office invest the funds. Mr. Feisthamel replied based on the risk tolerance of this agency, we could allocate it in anyway that we wanted. Mr. Lacroix stated we will need approval of the House and Finance Committees. The federal language states the funds must

include student financial assistance. Mr. Kelley asked the Board if they would like him to speak with members of the House and Senate Committees, along with Joe Palumbo. The board all agreed.

Dr. Santoro stated that Mr. Pratt from the Treasurer's Office is concerned with the agency closing and using the reserves to pay employee salaries, it does not look good.

For the sake of argument, Dr. Santoro asked Mr. Lacroix, could we write a check for \$ 20 mil today? Mr. Lacroix stated no.

Dr. Croasdale asked about advertising for an Executive Director. Dr. Santoro stated we don't know where the agency is going and the scope of the job and we may not have a need. We haven't gone through the tasks we were supposed to. Discussions are still on-going. Dr. Santoro stated that it is very frustrating to set-up these meeting, then have them cancelled. Dr. Santoro stated his vision was to make the agency smaller and focus on the wind-down of the portfolio. Dr. Santoro stated he would like to take CollegeBoundfund and all of its investments and move it over to the Treasurer's Office, put WaytogoRI with RIDE, unless they don't want it, or perhaps even to RISLA. There may not be a need for an executive director. Dr. Santoro stated that he is looking at confirmation from the Governor's Office.

Mr. Lacroix stated that the approach of the guaranty agency could

be different in terms of how it is structured. Some entities have retained staff and services and others have gone to more of an outsourced model. Both scenarios are viable, both can turn meaningful revenue. Mr. Lacroix will provide examples to the board. Dr. Santoro asked if RIHEAA did well this year, we exceeded the based projections, right? Mr. Lacroix stated that is correct. The collections results are expected to be good.

In relation to Dr. Santoro's vision, Ms. Mance-Rios asked him about the Grant Program and Dr. Santoro stated there are proposals that are being looked at. Ms. Mance-Rios stated that at the recent NCHER conference, the federal government is looking at ways of assisting guaranty agencies with outreach, and tools that we can provide to the colleges. Mr. Miller stated that he also spoke with representatives from DE and they are looking at the future roles of guaranty agencies absent the FFELP program and one of the programs that they are looking are compliance reviews for the federal direct, they just don't have the resources to do that. Federal resources have not been defined as of yet.

5. CBf Focus Groups Update: Ms. Mance-Rios reported there were four focus groups; 10-12 participants per group. Ms. Mance-Rios stated CollegeBoundfund has a high awareness in the state. At least one participant in each group had a CBF account. Ms. Mance-Rios stated some of the things that we are working through are; people are suspicious of free money and overcoming their suspicions. Curtis

Milder of Marketing Decisions located in Maine has the same problem with the Alphont Group, which gives \$500 to everyone that opens up an account. People still want the best for their children; they still want to support their children (but don't know how). Higher education has become a family tradition. When they talked about higher education it wasn't just a four year degree at a private college. People are talking about higher education at technical schools and obtaining associate degrees. When we did the focus groups a few years back, this wasn't in the discussion. Ms. Mance-Rios felt that people have expanded their view on higher education and saving for college, and stated some of the vehicles that we currently have are useful tools to assist them. It was great to hear what the challengers are; a report from Marketing Decisions will be completed by mid October. Mr. Kelley stated that the intent of this was to find out what motivates people to save for college, what keeps them from investing and what are they looking for in a plan. Mr. Kelley stated, the other reason was the amount of money that we are spending (\$750,000 from Alliance), is that an appropriate level for diminishing returns, and perhaps those funds could be used for something else.

Ms. Lasalle asked Ms. Mance-Rios what did she come away with at these focus groups. Ms. Mance-Rios stated keeping things simple, especially the initial marketing piece, being clear of where the funding is coming from. Also, we need to do more education. These are real concerns to the participants. We need to emphasize different points of the program. The report should provide us with

more detail.

Dr. Santoro asked about the educational background of the group. Ms. Mance-Rios stated everyone had some college, and some had a graduate degree.

6. WaytogoRI RFP Update: Mr. Kelley stated that the RFP has been issued; a conference call is scheduled today. The RFP is due by October 19, 2012. Next steps are to meet with the RFP committee to make a recommendation to the board. Ms. Sisson stated that she does not know how many vendors will be on the call. Mr. Kelley asked if the board could meet in early November, due to the evaluation and recommendation of the proposals. All of this needs to be done by June 30, 2013.

Dr. Santoro asked if we received the XAP Financials, and Mr. Kelley stated yes, they will be available at the November Board meeting. Mr. Kelley stated he will invite members of XAP to attend the board meeting as well.

7. Financial Report: Mr. Lacroix stated that the Conduit Loan purchase program is doing well. Mr. Lacroix stated he spoke with a collection manager at Sallie Mae; they've placed 10 million defaulted loans with a single collection agency to capture the activity.

Mr. Lacroix reported that the collections returns are coming in. The rehabs accounts take nine consecutive payments to set-up. There's a pipeline of borrowers, they reported that there is about 700,000 to 800,000. RISLA anticipates being able to refinance the loans that are in the conduit out of the conduit. RIHEAA will provide the line of credit to purchase the loans out, in about a 16 month period. Mr. Kelley stated that we need to wind that down sooner.

Mr. Lacroix stated that the collections manager from Sallie Mae stated, what we are doing is innovative. The returns will be much better than what the yield will be in the conduit. Mr. Kelley stated that is why the break even point for RIHEAA will be moving out a bit.

Mr. Kelley stated in future reports he will provide information on how many borrowers defaulted, and how many have had their credit record repaired through the rehab efforts of RIHEAA, which would help the borrowers become eligible for future financial aid, but also clears up their credit, that is our goal.

Mr. Lacroix stated RISLA did not have the mechanism to retrieve the loans that have become current. This population is 240 days delinquent, most of them will default. However, the borrowers that are able to become current, RISLA has a way of financing them out. Instead of the borrowers going into the Direct Leading program, they

are now getting the benefit of improved services of default aversion. Mr. Kelley stated this effort will help the local schools by keeping their students out of default.

8. Investment Report: Dr. Croasdale asked that this item be held over until the next board meeting.

9. Action Item (s):

a. Approval of FY 2012 RIHEAA Financial Statement Audit – A motion to approve the FY 2012 RIHEAA Financial Statement Audit subject to revisions to and incorporation by the Auditor General's Office and editorial revisions to the MDA, was made by the Finance Committee, seconded by Mr. Howell.

Voted in Favor: Dr. Santoro, Dr. Croasdale, Mr. Howell, Mr. Solomon, Ms. Lasalle and Mr. Feisthamel.

Voted against: None

b. Approval of the RIHEAA Budget Request FY 2013 revised and FY 2014 initial request – Mr. Feisthamel stated that this is not going to be finalized until January; therefore this agenda item will need to be revisited.

c. Authorization to enter into contract extension with Sallie Mae for

guarantee services data processing and defaulted loans collections management services – A motion was made to enter into a contract extension with Sallie Mae for guarantee services, data processing and defaulted loan collections management services pending editorial changes and review by RIHEAA legal counsel Joe Palumbo was made by Dr. Santoro, seconded by Mr. Howell and Ms. Lasalle.

Voted in Favor: Dr. Santoro, Dr. Croasdale, Mr. Feisthamel, Mr. Solomon, Ms. Lasalle and Mr. Howell.

Voted against: None

d. Corporate Resolution regarding changes to authorized signatories on accounts at Sovereign Bank – A motion was made to make changes to signatories from Christina Faulkner who has left the agency and add Michael Joyce was made by Dr. Croasdale, seconded by Mr. Howell.

Voted in Favor: Dr. Santoro, Dr. Croasdale, Mr. Feisthamel, Mr. Solomon, Ms. Lasalle and Mr. Howell.

Voted against: None

There being no further business to come before the Board of Directors, the meeting adjourned.

Adjournment was at 9:20 a.m.

Mr. John Howell

Secretary